

# HOUSE BILL REPORT

## SHB 1791

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### As Amended by the Senate

**Title:** An act relating to the taxation of activities conducted for an agricultural commodity commission or board.

**Brief Description:** Exempting activities conducted for an agricultural commodity commission or board from business and occupation tax.

**Sponsors:** By House Committee on Agriculture & Ecology (originally sponsored by Representatives Mastin, Chandler, Linville, Grant, Clements, Mulliken, Koster, Boldt and Schoesler).

**Brief History:**

**Committee Activity:**

Agriculture & Ecology: 2/17/97, 2/27/97 [DPS];

Finance: 3/10/97 [DPS(AGEC)].

**Floor Activity:**

Passed House: 3/14/97, 94-0.

Senate Amended.

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### HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Chandler, Chairman; Parlette, Vice Chairman; Schoesler, Vice Chairman; Linville, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; Cooper; Delvin; Koster; Mastin; Regala and Sump.

**Staff:** Kenneth Hirst (786-7105).

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill by Committee on Agriculture & Ecology be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking

Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler; Thompson and Van Luven.

**Staff:** Rick Peterson (786-7150).

**Background:** Four of the types of activities upon which a business and occupation (B&O) tax is levied are manufacturing, selling at wholesale, selling at retail, and providing services. The base B&O tax rate on manufacturing and selling at wholesale is 0.484 percent. The base B&O tax rate retailers is 0.471 percent. The B&O tax on business service activities varies from a rate of 0.275 percent for international investment management services to 2 percent for general business services. The tax is on the gross income or gross proceeds of sales of the service. A surcharge of 4.5 percent times the base B&O tax rate for a number of activities is imposed until June 30, 1997.

**Summary of Bill:** The B&O tax laws do not apply to a nonprofit organization with respect to amounts received from an agricultural commodity board or commission created under the Agricultural Enabling Act of 1955 or 1961, or directly by statute. To qualify for this B&O tax exemption, the organization must qualify for the federal income tax exemption provided for labor, agricultural, and horticultural organizations and must have the same objectives for which the commodity commission or board was formed.

**EFFECT OF SENATE AMENDMENT(S):** The amendments expand the categories of federally tax exempt nonprofit organizations that qualify for the B&O tax exemption. The organizations that qualify if they have the same objectives as the commodity commission or board now include those in the federal tax exemption categories for: farmers' cooperatives; organizations for educational and scientific groups; and trade boards and business leagues.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 11, 1997.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (Agriculture & Ecology) (1) The promotional activities of the Hop Commission are conducted through the Hop Growers of America, an association made up of Washington, Idaho, and Oregon growers. The association is an extension of the commission. It contracts with a third party who does the promotional work for the commission and pays the B&O service tax. The association should not have to pay the tax too. (2) If the service tax were applied literally, the dairy farmers providing free ice cream at an open house event for an award winning dairy or dairy family would have to pay a B&O tax on the service.

(Finance) None.

**Testimony Against:** (Agriculture & Ecology) None.

(Finance) None.

**Testified:** (Agriculture & Ecology) Bernard Gamache and Sean McGree, Hop Growers of America; and Chris Cheney, Washington Dairy Federation (in favor).

(Finance) None.